To: State Association of County Auditors

From: Matthew Siverling
Legislative Representative

Subject: Final 2013 Legislative Activity Report

This is the final Legislative Activity Report for the 2013 Legislative Session on Association legislative matters of interest.

INTRODUCTION

The Legislature adjourned a day early from the last day of Session on September 12, 2013 and is scheduled to reconvene the 2014 Regular Legislative Session on January 6, 2014. Under the Constitution, the Governor had until October 13, 2013 to sign or veto bills passed by the Legislature in the regular session. 2013 was the first year of the two-year Legislative Session. This means that the Legislature will return in January to address unresolved issues from this year, as well as begin a new Session of fresh legislation.

During this meeting, the Association will be presented with background materials on all measures of interest that were discussed or acted upon by the State Association of County Auditors Legislative Committee in the 2013 Legislative Session. These bills have either been held in the Legislature, vetoed, or signed into law by the Governor.

I. Sponsored Legislation

The Association has voted to sponsor two bills during the 2013 Legislative Session.

Assembly Bill 619 (Garcia)
State Court Facilities Construction Fund: Delinquent Payments

The Legislative Committee voted, once again, to sponsor a proposal to amend Section 70377 of the Government Code to create uniformity in current law related to the interest rate applied to delinquent payments for specified purposes.

The proposal accomplishes this by changing the interest rate on late payments to the State Court Construction Penalty from 1 ½ percent per month to the Local Agency Investment Fund rate (LAIF rate).

The bill addresses a Code Section the Association overlooked during a prior bill, SB 539 (Margett, Chapter 435, ’07), GC Section 70377 - In 2007, the Association was successful in sponsoring legislation to change GC 68085's penalty interest rate charged for late remittance of court fines from 1 ½% to the LAIF rate. The State Controller’s Office has brought it to the Association’s attention that this did not change the penalty interest rate on late remittance of State Court Construction Penalty (GC70372) and the Criminal Conviction Assessment (GC 70373). The rate in GC 70377 is still 1 1/2%.
Last year, the measure was moved in a bill that was “gutted and amended” into a vehicle that was in the House of origin at the end of last year, AB 1289 (Davis). The bill passed

the policy and fiscal committees in the House of Origin, and also passed off the Assembly Floor. It was also approved unanimously by the Senate Judiciary Committee. Unfortunately, it was held in the Senate Appropriations Committee for fiscal reasons. During the interim between the end of Session last year and the beginning of the 2013 Legislative Session, the Association was approached by the Judicial Council regarding the plans to resolve this issue in a future bill. The Judicial Council pointed out that their courts have an interest in repairing the over-burdensome penalty interest provision, as well. This is because the courts are also subject to the draconian interest penalty if they are deemed to have been the source of an underpayment. When looking into the issue deeper, it was discovered that the largest penalty collected over the last five years was assessed to be 75% the responsibility of the courts (State). Based on this information, the methodology should be viewed as "cost neutral" or at least significantly less impactful than previously thought. I was contacted last month by the Judicial Council, who have indicated that they wish to co-sponsor the measure. This is good news, as questions about the impact of the decrease in penalty revenue to the courts have been problematic for this proposal in the past. With their strong sponsorship, these questions may finally be put to rest.

The measure was scheduled to be heard in the Senate Judiciary Committee on June 18, 2013 and was approved unanimously.

The biggest hurdle this proposal has always encountered has been the Senate Appropriations Committee, where it was held last year. The Committee has measured the impact of reducing the penalty interest from 18% to LAIF as an unacceptable State cost resulting in hundreds of thousands of dollars in lost revenue.

This year, the Committee was lobbied early and often by both the Association and the Judicial Council urging passage. Not only did the Committee change their perspective on the bill, they opted to immediately relinquish control of the measure and pass the bill to the Floor without further delay.

Once the measure reached the Senate Floor, the Senate opted to pass the bill to the Governor using the unanimous roll call. This is the first time this effort has resulted in an enrolled bill.
(Final Status: Pending)

<u>ERAF/Unitary Proposal</u>
The Association voted to introduce a bill to clarify existing process for calculating ERAF (school funding) on a portion of unitary property tax.

Currently, most county auditors divide collected property tax on unitary tax between cities, counties, schools, redevelopment, special districts and ERAF. Statewide the ERAF portion is worth about $15 million per year statewide.

A question has been raised by the State Controller as to whether the current code specifies that ERAF should receive any monies from the unitary tax. County Auditors believe it should be; and have been doing it for two decades; but the Controller believes it is not specific enough and questions the process.

To remedy this, the Association proposed to introduce a bill to explicitly clarify that the current process shall continue and the State will uniformly perform this process in the future. Schools would continue to receive the guaranteed money, and counties would not have needed to change their current process. In the time prior to the introduction deadline, the Association approached over a dozen potential authors to find a home for the proposal. The Association was offered a "spot bill" by several members, but each declined to carry the proposal after "checking in" with their districts. Legislators were being told that a change to the policy regarding ERAF distribution would result in local governments receiving a larger share of the apportionment. After hearing this, no members were willing to carry the bill.

The Department of Finance has been briefed on the matter and is very interested in protecting the money that is currently flowing to schools through the ERAF. If the policy change is cemented into law, Finance would not need to backfill any lost ERAF monies if the process unravels.

The Department had indicated that they may have been willing to make the change to Code within the context of the State Budget in order to protect the State General Fund from a potential loss of millions in backfill monies. Unfortunately, this action by the Department did not occur in the context of the State Budget.

In the course of the 2013 Legislative year, the Legislative Committee voted to pursue amending the auditing guidelines to reflect what the State Controller's findings state in their audits of counties. If the counties take this approach, the result will be retention of the ERAF portion attributed to Unitary property that is currently flowing to the State. This process to adopt new guidelines is currently in progress.
(Final Status: Pending)

II. <u>Other Legislation of Interest</u>

<u>Assembly Bill 218 (Dickinson)</u> **<u>Position: Watch</u>**

This bill would have prohibited a state or local agency from asking an employment applicant to disclose information concerning the applicant's conviction history until the agency has determined the applicant meets the minimum employment qualifications as stated in any notice issued for the employment position.

This bill would have also exempted employment positions for which a state or local agency is required by law to conduct a conviction history background check, criminal justice agency positions, and individuals working for a criminal justice agency on a contract basis or on loan from another governmental entity.

The Author and the sponsors explained their intent of the bill which was to reduce unnecessary barriers to employment for the estimated one in four adult Californians with a conviction history, many of whom are struggling to find work. They claimed that not only would this practice increase public safety, but it will also help fuel a strong economic recovery.

CSAC opted to oppose the bill, because it removed the discretion of local agencies to design an employment policy that works locally, instead applying a one-size-fits-all approach to those public entities which should ultimately decide what hiring practices are best for their employees. They explained that counties and special districts serve vulnerable populations; as such, numerous positions and classifications within local agency employment, such as social workers, staff in the child protective services, child support and elder abuse areas, as well as staff serving in treasurer and tax collector functions should undergo a background check in order to protect the needs of local residents utilizing those county services. AB 218 essentially delayed when a local agency employer may inquire into the criminal history of a job applicant, thereby creating delays and increased costs for local agencies screening potential employees whose applications will ultimately be rejected due to the nature of the position.

The Association watched the bill closely as it moved through the process.
(Status: Pending)

Assembly Bill 483 (Ting) **Position: Watch/Oppose**

AB 483 would have permitted a county to increase its Property Tax Administration Program reimbursement under certain circumstances when enhancing the services (and budgets) of any of the four tax departments (including the auditor controller). The bill would permit a county auditor to withhold some property tax revenue from schools and the ERAF. As reported, this bill was the potential vehicle for Assemblymember Ting's revival of AB 920 (to be explained in this report). He was viewing a piece of the increased revenue (from schools) as a funding source for the program.

The bill was being sponsored by the Assessor's Association. They'd been working closely with the Department of Finance throughout the year. They had reported that Finance had "bought into" their concept that with property values rising, increased funding to augment property tax administration will allow the local tax offices to capture potential revenue that would otherwise be forever lost. Finance viewed the program as a good investment, under the current circumstances. However, they viewed the "property tax disclosure" item as a bad investment.

The Association, CSAC, Assessors and Treasurers all participated in renewed discussions revolving around "AB 920 issues" and what level of "920" the Associations would be comfortable with. Assemblymember Ting was steadfast in his commitment to push forward with his idea to itemize property tax bills into services, but began to show signs of willingness to ratchet down his expectations to, what he called, a "Pie Chart 2.0". Even at this level of disclosure, all parties communicated that it was not possible to provide the information.

Eventually, for reasons other than the "AB 920" piece, the California Teachers Association stepped in and halted activity on AB 483 for the year. I'm hearing that the

Assessors will continue to explore ways to augment property tax administration funding in the upcoming year.
(Status: 2 year bill)

Assembly Bill 892 (Daly) **Position: Watch/Concerns**
The Association was an active participant in the discussion on AB 892, by Assemblymember Tom Daly. The measure was sponsored by the California Taxpayers Association.

The bill would have mandated that the Board of Equalization obtain and report a prescribed list of information related to "parcel taxes" for the State. The information includes number of parcels affected, cost per parcel, total revenue generated, sunset date, and whether a resident with an exemption had mistakenly paid the tax.

The bill did not outline the manner in which the BOE would obtain the necessary information, but the Author had targeted the county auditor as a likely source for this data.

After the introduction of the bill, there was a targeted background campaign administered by the sponsors of this bill related to parcel taxes. CalTax had been distributing a pamphlet entitled "California's Other Property Tax" that seeks to "increase transparency and accountability" for the parcel taxes "being levied by local governments." Further, CalTax has made statements that they are seeking to give Californians a "better idea of their actual cost of living" and expose the fallacy of California's reputation as a "low property tax state" as a result of Prop 13 protections.

The bill was heard by Assembly Appropriations Committee on May 15, 2013 and was referred to the suspense file. The bill did not offer prescriptive language on how the required information will flow from the parcels to the BOE, but it did require that the Board issue a comprehensive report. Although the bill states that BOE must "utilize existing resources" to accomplish the mandate, they have reported to the Committee that they'd anticipate significant costs to compile such a broad report.

Based on significant costs and concerns, the measure was held in suspense.
(Status: Held on Assembly Appropriations Suspense)

Assembly Bill 920 (Ting) **Position: Oppose**
The Association joined the County Treasurer-Tax Collectors Association and CSAC in raising strong concerns with AB 920 in the Assembly Local Government Committee. His original concept would have mandated that all local expenditures be broken down by parcel and appear on the property tax bill. Assemblymember Ting is the former Assessor of the City/County of San Francisco.

Since the introduction of the bill, went through two major redrafts to lessen the impact; however strong concerns continue to proliferate. First, the bill was amended to eliminate the "dollar by dollar" breakdown of local spending in favor of a "percentage" disclosure for spending on counties, cities, schools and special districts per TRA and per parcel. The Association(s) each weighed in on the bill and expressed the litany of issues associated with complying with this bill.

On the day of the hearing, the Association was contacted by the committee with news of further amendments. The measure was amended into a “three county pilot project”; reducing the scope of the impacts by 55 counties. Complicating this is the fact that the bill did not specify the counties that will be studied and still contains mandates that would be impossible to comply with. In a merciful gesture, the Committee passed the amended measure out of their committee on onto the Assembly Revenue and Taxation Committee, where it was also approved.

The bill finally reached the Assembly Appropriations Committee on Wednesday, May 15th. Staff indicated that he significant costs will cause the bill to be referred to suspense, where it was held. Causing additional issues for the bill was the fact that it never named the counties that were going to be included in the “pilot project”.

I would anticipate that the Member will continue to pursue the project and the Association should be prepared to continue to explain the challenges.
(Status: Held on Assembly Appropriations Suspense)

Assembly Bill 741 (Brown) **Position: Oppose**

The Association was troubled to encounter this bill, which would have increased the allocation of property tax revenues under a new Tax Equity Allocation (TEA) formula for qualifying cities.

AB 741 would increase the amount of property tax a city would receive if that city had a redevelopment agency prior to the abolishment of RDA’s. The Association quickly realized that the increases in property taxes to cities would come at the expense of counties. In essence, counties would be funding the lost revenues cities experienced with the dissolution of RDA’s with no corresponding make-up funding for counties.

The Association, CSAC, RCRC and others contacted the Author immediately and communicated the concerns with this bill. The Author opted to hold the bill prior to its first hearing. She did not agree to drop the measure indefinitely, so the Association should be prepared to address the issue in 2014.
(Status: Held in Assembly Local Government)

Assembly Bill 742 (Dahle) **Position: Watch**

Last January, the Association was approached by Plumas County who explained that they had a unique issue that required legislation to remedy. Every school district in the county is “basic aid”, meaning that they are all fully funded. Because of this anomaly, the portion of supplemental property tax collected mid-year that is statutorily directed to be allocated to schools has no clear, legal recipient. The county wished to introduce a bill to direct the monies, which are currently being held in a trust, to be evenly spread across the other taxing entities to assist with local government.

The Regional Council of Rural Counties became engaged in the issue and assisted Plumas County in locating an Author to introduce a bill to address their problem. During the course of negotiations, CSAC was approached to also assist with the effort.

CSAC requested that, due to ongoing sensitive and fragile discussions with the Department of Finance on a number of other property tax allocation/ERAF issues of statewide impact, they'd much prefer that the county hold off on a bill, or at least "ease into the scene" with a bill that was germane to the issues being discussed in closed sessions with Finance. The thinking was that while Plumas appears to be on their own with this "basic aid" issue, there are several other counties that may find themselves in this position in the upcoming years (Mono, Marin etc.). CSAC thought that running a bill to redefine the recipient of property tax that was previously defined as "state money" was premature and needing to be addressed in a careful manner. CSAC offered to introduce the issue in the context of their discussions with Finance and potentially attempt to have the language swept into a larger package of items in the Budget.

CSAC, DOF and RCRC are continuing to discuss reopening this item in the context of the State Budget in 2014. The Department has requested that language be submitted to them in September for considering in the Budget plan next year.
(Status: 2 year bill)

Assembly Bill 748 (Eggman) **Position: Watch**
This bill would tie the judgment interest rate on judgments or settlements against a state or local public entity, that arise from a tax or fee claim, to the weekly average U.S. Treasury yield, but not to exceed 7%. Specifically, this bill adopts what is effectively a modified version of the judgment interest rate established under federal law for civil actions brought in federal court. The federal formula calculates the judgment interest rate based on a rate equal to the weekly average one-year constant maturity U.S. Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the preceding calendar week. This bill would, for any tax or fee claims against a government entity, apply the federal treasury rate *plus 2%* to post-judgment interest rates, but not to exceed 7% per annum.

According the Urban Counties Caucus (UCC), the bill's sponsor, this measure will "ensure that local governments would be charged a reasonable interest rate on claims." UCC contends that in the counties alone, interest rates have totaled over $15 million in just the last three years. UCC points out that these payments come from taxpayer funds, and therefore "lowering the interest rate will help to save money and ensure that all parties are given a level playing field."
(Status: Chaptered, #424, '13)

<u>Assembly Bill 1248 (Cooley)</u> **<u>Position: Watch</u>**

This bill authorizes the State Controller to work with local governments and interested stakeholder groups to develop a set of "best practices" – internal controls designed to prevent and detect financial errors and fraud in local government agencies.

Further, it requires the State Controller to develop the internal control guidelines based on standards adopted by the American Institute of Certified Public Accountants and with input from any local agency and organizations representing the interests of local agencies, including, but not limited to, the League of California Cities, the California State Association of Counties, the California Special Districts Association, and the ***California State Association of County Auditors***.

The measure is largely a mandate on the State Controller to develop the "best practices" and allows the Association to provide input, if desired. It stems from recent scandals at the local level in the City of Bell and the City of Hercules.
(Status: Chapter 190, '13)

<u>Senate Bill 446 (Cannella)</u> **<u>Position: Support</u>**

Last year, the Association voted to support Assembly Bill 1676 (Alejo), which would have provided legislative relief and deem correct past property tax revenue apportionment factors used by San Benito County. The measure was held in the Senate. The County had opted to reintroduce the forgiveness legislation in SB 446 this year.

In 2004, the Legislature approved Senate Bill 1096 (Chapter 211, '04) which forgave property tax allocation errors identified by the State Controller in audits conducted prior to June 30, 2001. The errors in question related to San Benito property tax allocations took place between July 1, 1993 and June 30, 2001.

Because of the complicated nature of the Educational Revenue Augmentation Fund (ERAF) shift, the Legislature felt it necessary to provide general relief to local government entities related to property tax allocation errors in the years following the enactment of the ERAF shift until 2001.

The Association was supportive of efforts to remedy unintended property tax allocation errors at the time SB 1096 was Chaptered, and continues to support efforts to assist counties.

San Benito County negotiated a compromise with the Chair of the Senate Governance and Finance Committee that pleased both sides. Under the proposed agreement, the County would be relieved of all pre-2001 underpayment debt; and allowed to use the 1% cap offered under AB 169 (2001) for the remainder of their "post-2001" debt. The Chair was willing to use this approach to alleviate the debt of San Benito because it utilizes avenues that were already in law and available to all other counties in the State for those time periods. The original bill sought total forgiveness, but the county was willing to move forward under this compromise.

SB 446 was heard in Senate Governance and Finance on May 1, 2013, where it was unanimously approved. It was also heard by the Senate Appropriations Committee on May 13th, where it was referred to suspense. The analysis indicated that the impact of the bill was the "loss of $3.4 million in potential State savings to the General Fund."

Unfortunately, SB 446 was held in suspense for the year. Finance determined that the bill would result in an unacceptable loss of potential savings to the Prop 98 obligation, however slim the chances are that the County will ever repay their debt.
(Status: Held on Senate Suspense)

Senate Bill 594 (Hill) **Position: Watch**
A gut-and amend measure, SB 594, would have placed significant new restrictions on nonprofit organizations that receive public funds and participate in campaign activities. It broadly expands definitions of public resources, expenditures, and contributions in a manner that would effectively preclude CSAC and similar organizations from participating, financially or otherwise, in ballot measure campaigns. Because county supervisors serve as Officers, Executive Committee members, and Board of Directors members, their participation in CSAC was also caught up in these restrictions.

The bill outlined new disclosure requirements for nonprofit organizations that receive more than 20 percent of their annual gross revenues from one or more local agencies. These organizations would have needed to deposit nonpublic funds into a separate bank account and use only those funds for campaign activity. Sources of funds used for campaign activity would have need to be identified and reported on the nonprofit's website (quarterly and biennial reports). So, those non-public entities that paid the nonprofit organization for goods/services provided would have needed to be identified as the "source" of funds for campaign activity even though they received equal consideration for what they paid.

The measure was strongly opposed by CSAC, the League of Cities, the California State Sheriff's Association and the California District Attorneys Association, among many others.

The measure was quickly amended in Appropriations to no longer defines "public funds" in a broad way that captures currently nonpublic revenues that many associations use for ballot campaign advocacy. The one exception offered is that funds received by a nonprofit organization that come from conduit bond financing activities, whether or not those funds are received by the nonprofit in exchange for consideration for goods or services, would now be defined as "public funds" and unavailable for financing state or local ballot campaign activities. Further, some workable transparency filing requirements were agreed to for reporting purposes that will shine light on the use and source of the monies.

Once the bill was amended, CSAC and others removed their opposition.
(Status: Pending)

IV. Other Issues

State Budget

For a variety of reasons, the 2013 Legislative Session set up an interesting and unprecedented playing field. Proposition 30 was approved by voters in the Fall of 2012; infusing $6 billion new dollars into the General Fund derived from a 7 year income tax increase and a 4 year sales tax increase. Piling on in the same election, the Democrat majority party was able to score the largest prize imaginable with supermajorities in each House of the Legislature.

Entering the year fueled by the newfound Democratic supermajority and a historically large group of new faces (39 new Members out of the 120), California lawmakers launched into their two-year session planning to turn their immediate attention to restoring previous cuts to health care, education and social safety nets in the state budget.

Democrats had a two-thirds majority in the Assembly and Senate for the first time since 1883 (Reuplicans previously controlled a supermajority in each house in 1933). That means they had the power to approve new taxes and get constitutional amendments on the ballot without a single Republican vote, but they publically (and constantly) stated that they would be cautious not to abuse that new authority.

There was immediate heavy pressure from interest groups and lobbyists to restore much of the cuts that had occurred in lean years to social safety net programs, healthcare, education and courts. The Governor, as reported throughout the year, branded himself as a “backstop” to spending and has clearly articulated that he would not be supportive of any efforts to dedicate new spending for future years. His stated goal has been to pay down the “wall of debt” and create a surplus to prepare for the future.

When the Governor released his May Revise, the headlines reflected his commitment that he’d clung to throughout the year. “Cautious Budget for Deficit Free State…”prudent”…”sailing into uncertain times”…”restrained”…”less upbeat”…”fiscal moderation” were the themes of his spending plan.

The Governor opted not to restore any cuts to social services from prior Budgets. He actually tightened overall spending by $1.3 billion. Many of the vocal majority party called the pending plan “disappointing” and “fails to make up for damage done.” There was a continued trend to shift responsibilities for healthcare modifications, prisons and social welfare programs to counties, which CSAC called “too aggressive.”

It will continue to be interesting theater to see how the restrained but powerful majority party opts to flex its muscles in the upcoming year. The Governor continued to operate as a “stop-gap” to spending and an immovable hurdle for the left wing to access the perceived budget surplus that the Governor has prioritized over restoring prior cuts. The two sides seem philosophically entrenched.

<u>Resurrection of Redevelopment/Infrastucture Financing Districts</u>
As was expected, the powers that formerly benefitted from the existence of redevelopment and their friends in the Legislature introduced a number of bills intended to redefine and expand the current law related to Infrastructure Financing Districts (IFD). These IFD’s behave generally in the same manner as RDA’s, but are restricted and balanced by a voter approval requirement and a “buy-in” from all parties subject to the redirection of the property tax. Additionally, the IFD is somewhat limited in application, as opposed to RDA’s which began as a remedy for the loosely defined term “blight” and mushroomed into a vehicle for any imaginable project.

Last year, despite the sponsorship from Democratic leaders and the political capitol spent by the party to gain passage of the measures, the Governor opted to veto the entire package of trendsetting bills. In his veto message last year, the Democratic Governor stated:

> *“Expanding the scope of infrastructure financing districts is premature. This measure would likely cause cities to focus their efforts on using the new tools provided by the measure instead of winding down redevelopment. This would prevent the state from achieving the General Fund savings assumed in this year's budget.”*

The bills re-introduced this year to morph IFD’s into something more closely resembling an RDA were, again, hard-fought and heavily amended pieces of legislation that were battlegrounds for partisan horse-trading and political gamesmanship. Raising the stakes to a higher level, the primary vehicles that carried the language in these efforts were again authored by the leadership in each House, Senate Pro Tem Steinberg and Speaker John Perez. The two House leaders threw the full power of their office(s) behind the effort to chip away at the line between IFD’s and RDA’s.

<u>Assembly Bill 229 (Perez)</u>
This bill created Infrastructure and Revitalization Financing Districts (IRFDs), modeled after existing law which allows cities and counties to create Infrastructure Financing Districts (IFDs). According to the author, one of the broader purposes of IRFDs is to authorize a military base reuse authority to form an IRFD in order to assist local agencies in addressing issues related to the adverse economic impacts of military base closure and realignment. As such, this bill broadens the type of projects that IRFDs may finance (versus existing IFDs) to include capital facilities and projects of communitywide significance for watershed lands, flood management and bypasses, habitat restoration, and brownfields restoration and other environmental mitigation. The life of an IRFD would be 40 years, as opposed to the 30-year life of IFDs under existing law. The establishment of an IRFD would maintain the same voter approval requirements as existing law for IFDs (two-thirds vote of the local voters to form the district and authorize the issuance of bonds).

CalTax argued that the Legislature "should continue winding down redevelopment agencies…once this is done, a more thoughtful approach should be considered that maintains budget savings associated with the elimination of these agencies."

AB 229 was successful in navigating the Legislative process, but was moved to the inactive file after an adequate vote on the Senate Floor.
(Status: Inactive File)

Assembly Bill 243 (Dickinson)
This bill broadens the purposes of infrastructure financing districts (IFDs) and renames them Infrastructure and Revitalization Financing Districts (IRFDs). The bill also broadens the types of projects that IRFDs may finance, eliminates the existing prohibition on establishing IFDs in former redevelopment areas, and allows cities or counties to dedicate their share of freed-up former redevelopment tax increment revenue to an IRFD financing plan. In order to form an IRFD and issue bonds, a 55% voter approval threshold is required, thus lowering from existing law which requires a two-thirds vote to both form an IFD and issue bonds. This bill also extends the life of an IRFD to 40 years (existing law for IFD is 30 years), and requires IRFDs to prepare and publish annual reports. This bill is author-sponsored.

According to the author, "the elimination of redevelopment agencies has removed a major tool used by local governments to remedy blight, provide affordable housing, and spur local economic development. This fact has stepped up the efforts by local officials to search for alternative ways to raise the capital they need to invest in public works projects such as transit facilities, infill development, or clean water. IFDs are one existing way to do this. Unfortunately, current law governing IFDs makes their formation cumbersome, and difficult, particularly because a two-thirds vote of local voters is necessary to form the district."

Much like AB 229 (Perez), AB 243 was successful in approval from the Legislature but was moved to the inactive file during the last days of Session. It is currently on the Assembly Floor awaiting a vote on concurrence in Senate amendments.
(Status: Inactive File)

Assembly Bill 662 (Atkins)
This measure was discovered late in the Session during the Legislative committee's last review of amended bills prior to adjournment. The bill allows an infrastructure financing district (IFD) to include portions of former redevelopment project areas, and makes several troubling changes to the laws governing the dissolution of redevelopment agencies (RDAs).

The Association opted to submit a late opposition letter detailing concerns with the impacts of the bill. Specifically, by transferring funds to an RDA-related function, AB 662 is extending the life of the former redevelopment agencies and delaying or taking away monies from the taxing entities that have lost money to the former RDAs all along. There is also concern with the housing administrative allowance created by the bill as it diverts an additional amount of property tax revenue that otherwise would be distributed to the taxing entities and gives it to the housing successor, regardless of their administrative expenses. Both of these are good examples of how this bill is veering away from the original intent of the dissolution bill.

There were also concerns voiced to the Author regarding the use of new terminology and confusion on the role of the auditor-controller to carry out the functions described in the bill.

The Association submitted a letter of opposition and is awaiting action by the Governor. ***(Status: Pending)***

Senate Bill 33 (Wolk)
SB 33 makes it easier for local agencies to use IFDs to pay for public projects, without impacting district's share of property tax or the state's general fund. In a fiscally distressed economic climate, local officials need a flexible financing tool that is rigorous and responsible.

IFDs require three different vote thresholds. To form an IFD, the city or county must develop an infrastructure plan, send copies to every landowner, consult with other local governments, and hold a public hearing. Every local agency that will contribute its property tax increment to the IFD must approve the plan. Because an IFD is legally separate from the city or county and IFDs do not raise taxes, the current 2/3 voter approval requirement is not a Constitutional requirement." This bill is author-sponsored.

Cities and counties can create IFDs and issue bonds to pay for community scale public works: highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. To repay the bonds, IFDs divert property tax increment revenues from other local governments for 30 years. However, IFDs are prohibited from diverting property tax increment revenues from schools.

This bill removes key impediments to create IFDs, such as the voting requirements to form and bond the IFD. In addition, the bill extends the term of the IFD bonds from 30 to 40 years, allowing for a longer debt repayment period thus lowering monthly payments. Also, to increase transparency, this bill includes measures of programmatic and fiscal accountability, requiring IFDs to annually report its progress and expenditures to its affected taxing entities and landowners.

This bill allows the creation of an IFD to fund public works projects in disadvantaged communities and communities seeking to implement sustainable communities strategies, like transit priority projects. The bill also allows non-traditional flood and watershed management projects – using nature to conserve and restore at-risk watershed lands – to be available for IFD financing. Additionally, the bill authorizes tax increment financing for the rehabilitation of upgrades to existing facilities, which the author notes will "further local flexibility and opportunity."

This bill is substantially similar to SB 214 (Wolk) of 2012, which was vetoed by Governor Brown**.**

In what became a trend at the end of Session in 2013, the Author moved SB 33 to the inactive file during the last week of Session for consideration next year.
(Status: Inactive File)

Senate Bill 1 (Steinberg)
This bill would have authorized certain public entities of a Sustainable Communities Investment Area, as described, to form a Sustainable Communities Investment Authority (authority) to carry out the Community Redevelopment Law in a specified manner. The bill would have required the authority to adopt a Sustainable Communities Investment Plan for a Sustainable Communities Investment Area and authorize the authority to include in that plan a provision for the receipt of tax increment funds provided that certain economic development and planning requirements are met. The bill would have authorized the legislative body of a city or county forming an authority to dedicate any portion of its net available revenue to the authority through its Sustainable Communities Investment Plan. The bill would have required the authority to contract for an independent financial and performance audit every 5 years.

This measure was largely similar to SB 1156 (Steinberg) which was vetoed last year.

Once again, this measure was approved by the Legislature but moved to the inactive file on the last day of Session.
(Status: Inactive File)